The Nixons' Income Tax Deductions

Washington

President and Mrs. Nixon appear to have claimed enough tax deductions in 1970, and possibly in 1971, to have wiped out all of their taxable income for federal income-tax purposes, according to figures published by the White House and other official sources.

It is not known whether the Nixons actually paid no federal income tax for either of these years, and thus attained membership on the "zero taxpayer's list" of persons with incomes in excess of $200,000 who paid no federal income tax.

Gerald L. Warren, the deputy White House press secretary, declined yesterday to answer questions about the Nixon's tax payments.

CLAIMS

Published figures indicate, however, that the Nixons claimed large enough deductions in 1970 and 1971 to offset all or part of Mr. Nixon's $200,000 salary plus whatever other income they had. The additional income has been said by the White House to be limited to a relatively small amount of interest from savings accounts.

The chief deductions that the Nixons are presumed to have claimed have been the interest on various loans

Back Page Col. 7

From Page 1

they have made, mainly to finance purchases of property in California and Florida, property taxes, and a deduction as a charitable contribution of Mr. Nixon's gift of his pre-presidential papers to the National Archives.

The White House has stated that Mr. Nixon took the deduction for the gift of the papers. It has not said whether he claimed the interest on the loans and the property taxes, or the reason why he would not have done so.

LEGALITY

No question has been raised by authorities in the tax field concerning the legality of the deductions for interest paid or for the property taxes. The much larger deduction that was taken for the gift of the personal papers has been challenged, however, by a public-interest law group, Tax Analysts and Advocates.

The "zero taxpayers' list," which has long been a focus of tax-reformers, is not published name-by-name, but the Internal Revenue Service does compile figures annually on how many there are.

In 1970, there were 111 returns that showed $200,000 or more of adjusted gross income but no tax liability, and preliminary figures for 1971 show 72 such returns.

ACT

The disclosure in 1969 that there were more than 150 persons who paid no federal income tax, despite adjusted gross income of $1 million a year or more, was one of the main events that led to enactment of the tax reform act of 1969.

That law contains a provision called the "minimum tax," which is aimed at making it more difficult for high-income individuals to combine various tax-reducing provisions of the law in such a way as to avoid all federal income tax.

The principal deductions that Mr. Nixon is presumed to have claimed — interest connected with the property purchases, property taxes, and the contribution of his papers — are not covered by the "minimum tax."

However, another section of the 1969 law prohibited the deduction for gifts of their papers to institutions by public officials. That deduction was eliminated, as of July 25, 1969, and Tax Analysts and Advocates have argued that Mr. Nixon did not actually make the gift before that date.

A spokesman for Mr. Nixon has claimed that since the gift was fully arranged by then, the pre-1969 tax laws should apply to it, although the deed of gift was not executed by the National

President.

Mrs. Nixon's presidential papers were valued at $576,000 by an independent appraiser. The old law that still permitted deductions for such gifts also contained some limitations on the size of the deduction in any given year.

The limit was 30 per cent of adjusted gross income in the year of the gift and 30 per cent in each of the five following years, up to the total of the gift.

Thus, if the Nixons had income from savings accounts of $10,000, in addition to the President's salary, they could have claimed a deduction of about $65,000 for the gift in 1969, which they assert is the date of the gift, and about $105,000 in each of the subsequent years. That would wipe out half of their 1970 and 1971 incomes, for federal tax purposes.

PROPERTY

According to the audit of the Nixons' property transactions that was made by Coopers and Lybrand, and released by the White House on August 27, the Nixons paid at least $81,000 in interest in 1970 on notes covering the purchase of their San Clemente property.

Property tax records in California indicate that they were liable for payment of about $21,000 in property taxes that same year.

Additional taxes paid on the Key Biscayne property plus some interest related to the purchase of that property that is not given by years in the Coopers and Lybrand audit, would almost certainly bring the deductions for 1970 up over the necessary total of $200,000 or so.

SURE

Ira L. Tannenbaum of Tax Analysts and Advocates said: "It is 99 per cent sure that, based on these figures, the Nixons paid no federal income tax for 1970." A. Reid Hamerman, professor of tax law at the George Washington University Law School, agreed.

Tannenbaum said he was less sure that the Nixons had paid no tax in 1971, because the Coopers and Lybrand audit was unclear concerning the dates of some large interest pay-

$5,000 in interest as having been paid on loans associated with the San Clemente property but dates the payments only as "subsequent" to the sale of part of the San Clemente property to an investment company controlled by two of the President's friends, Robert H. Abplanalp and Charles G. Rebozo. The White House said that the sale took place in December 1970, although there has been some dispute about the date.

In addition, the audit lists other interest payments of $115,102 in 1971 and 1972, without making clear what portion was paid in each year.

It appeared to be possible, though not certain, that the interest payments in 1971, totaled enough — combined with the disputed deductions for the gift of the pre-presidential papers and with property taxes and other deductions — to have made the Nixons zero taxpayers in that year.

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